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C O N F I D E N T I A L SECTION 01 OF 02 HAVANA 000028

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DEPT FOR WHA/CCA

E.O. 12958: DECL: 01/08/2018

TAGS: ECON PGOV PINR PREL CU

SUBJECT: RAUL CASTRO END-OF-YEAR SPEECH TO NATIONAL
ASSEMBLY BREAKS NO NEW GROUND

REF: A. HAVANA 717
 1B. HAVANA 961
 1C. HAVANA 1170

Classified By: COM: Michael E. Parmly: For reasons 1.4 b/d

11. (C) SUMMARY: Even though it was not announced formally in advance, Raul Castro's closing address to the National Assembly was anticipated by many as a venue for him to announce economic changes in response to public complaints emanating from the series of "debates" he launched with his July 26th speech. However, he announced no such changes, and the reports of the economic and finance ministries, while long on positive rhetoric, showed a Cuba that is failing to meet even its own expectations. A written message to the National Assembly from the absent Fidel Castro, which, inter alia, endorsed Raul's speech, indicates that the old dictator continues to exercise significant control over GOC decision making. Ordinary Cubans appear more dispirited than ever by the ongoing stagnation. The concern that nothing will ever change seems to be driving even greater numbers to abandon the island any way they can. End Summary.

12. (C) The Cuban National Assembly wrapped up the second of its two annual 48-hour sessions on December 28. The ostensible purpose of the session was to review the reports of the ministries of economy and finance and approve their proposals. Though the sessions are not open to the public, there is no evidence to suggest that any actual debates took place among the Assembly members. Rather, the official media focused on the reports of the two ministers, the response of Assembly president Ricardo Alarcon and the closing statement by First Vice President and "provisional" President Raul Castro. The first two were replete with the usual claims of great successes gained through revolutionary effort, but the statistics provided painted a very different picture. Falling back on a tried and true tactic when things look tough, Assembly president Alarcon spent virtually all of his time on a diatribe listing the sins of U.S. policy towards Cuba, going back to before the revolution, and then blaming the U.S. for any failings the Cuban economy may be experiencing. But the "piece de resistance" of the program was expected to be a closing speech by Raul Castro.

13. (C) Raul's July 16, 2007 (REF A) speech had engendered expectations among many Cubans that some genuine economic

changes might be in the offing. For all of their weaknesses and lack of candor, the "debates" that Raul launched in that speech (REF B) encouraged Cubans to express openly their thoughts about the failings of the economy and the measures that needed to be taken to resolve them. In the last weeks before the National Assembly meeting, the regime-controlled daily "Juventud Rebelde" published the first of a two part series on the agricultural sector that suggested the GOC might be open to considering such radical moves as allowing private ownership of small farms. That the second part, written or edited after Fidel Castro's much-touted letter to the Mesa Redonda television program (REF C), essentially walked back all of the suggestions made in part one was an indication that real change might not come in the near future. But for ordinary Cubans, struggling to make ends meet while official statistics showed the GDP growing at 12.5 percent in 2006, the cat has been out of the bag for some time. They greatly desire some sort of change in the economy (political change remains a taboo subject), and many thought that a National Assembly meeting that was to focus on the economy anyway might be the vehicle to announce that change.

¶4. (C) If there were any expectations that Raul Castro would announce these changes, the fact that Assembly President Alarcon first read a letter from absent President Fidel Castro in which he (a) admitted that he had wanted to hold onto power as a younger man, but had gotten over it with age, (b) traced the history of U.S. support for the overthrow of Sukarno in Indonesia, and (c) endorsed the contents of Raul's as-yet un-read speech, were an ominous portent. In the end, Raul said very little new. He recounted what people had said in the "debates" and stated firmly that something needed to be done about the complaints, but offered no proposals for solutions. If there was a tag line, it was his final

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statement, which was replayed at the stroke of midnight on New Year's Eve by all Cuban television, that all Cubans had to "work hard" to overcome the problems the country faces. This, of course, simply repeats a statement that his brother has been making for years, and one that Cubans are tired of hearing.

¶5. (C) Based on our contacts with ordinary Cubans since December 28, we are struck by the level of despair about the future. Those who followed the National Assembly events on TV were disappointed but not surprised. Many others had already stopped paying attention. As another opportunity to announce change came and went, Cubans have very little to look forward to in the short term. Though physically so unwell that he could not even be trotted out for a staged appearance with Venezuelan President Hugo Chavez during the latter's December 14 visit, Fidel Castro still seems able to exert full control over important government decisions. If anything was put into clear relief by the National Assembly speeches, it was the fact that no proposal for reform or change in Cuba that violates any of the basic tenets of the revolution--in other words the very changes that are critically needed--will be possible as long as Fidel draws a breath.

¶6. (C) While ordinary Cubans may despair, calls for change continue. Notably, the usually cautious Cardinal Jaime Ortega spoke directly to the need for change in Cuba in his New Year's Day homily in which he noted that the statements of GOC officials had created expectations in the people, and that the church is praying for a prompt and adequate response to these concerns. Ortega had hinted at the same in a conversation with COM and PolCouns one day before the National Assembly, saying that the Cuban people are reaching a breaking point and can no longer tolerate the status quo.

¶7. (C) While dissatisfying, the National Assembly speeches did give some insight into the state of Cuban economic affairs. Reading past the rhetoric of the economic and finance ministers, one finds surprisingly frank and not very

encouraging numbers. The ministers announced that GDP grew 7.5% in 2007, the first time since 2004 that the economy was said to grow at less than double digits, according to the GOC. The Economic Minister also projected 10% growth for 2008. Other relevant figures which were made available included: Investment = up 16.8%; Agriculture = up 23.7% (Note: The large increase should be tempered by the fact that the basis for comparison, given an actual 8% decline in production during 2006, was very low. End Note.); Labor productivity: up 5.0%; Average salary: up 5.4%; Fiscal deficit: 3.1% of GDP; Consumer price index (inflation): 2.5%; Exports: up 24% (Note: Increase consists mainly of nickel and service exports - mostly medical, as tourism decreased for the second year in a row. End Note.); Imports: up 2.0%; Imported petroleum prices: up 9%; Imported food prices: up 24%. USINT will do a comprehensive end-of-year assessment on the state of the Cuban economy septel.

¶8. (C) COMMENT: Raul Castro, after building up expectations throughout 2007, did not deliver any of the changes many Cubans hoped for. However, neither did he engage in his older brother's practice of making great rhetorical promises, nor did he offer grossly exaggerated claims of progress. Instead, he delivered a sober -- and somber -- message that problems in Cuba persist and the government will take a systematic approach to solving them--always within the context of the precepts of the revolution--spelling out very clearly that solutions will take time. From our vantage point, the Cardinal's view that the Cuban people are near a breaking point makes sense. Unfortunately, after nearly 50 years of getting only as much as the Castro regime decided to give them, the Cuban people are not conditioned to put demands on those in power. Rather than push for change, the tendency has been to leave. If the jump in the numbers of migrants choosing the go-fast route to Florida is any indication, that process is already underway.

PARMLY